

Message Text

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ORIGIN STR-07

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
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TO USMISSION GENEVA PRIORITY
INFO AMEMBASSY BRASILIA
AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ETRD, GATT, BR

SUBJECT: GATT ARTICLE XXVIII NEGOTIATIONS WITH BRAZIL

1. TPSC HAS APPROVED DRAFT PAPER TRANSMITTED REFTTEL (TPSC
78-74) WITH FOLLOWING ADDITIONS AND CORRECTIONS:

(A) IN PARA 4C, BTN NUMBER FOR SELF-PROPELLED CRANES
SHOULD BE 84.22.09.00.

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(B) WORD "ASSURE" IN THIRD SENTENCE, PARA 5D, SHOULD READ
"ASSUME."

(C) LAST SENTENCE IN PARA 4 K SHOULD BE REPLACED BY FOLLOW-
ING: THE U.S. IS NOW CONSIDERING WHAT ALTERNATIVE STEPS MAY
BE TAKEN TO DEAL WITH WHAT THE U.S. REGARDS AS AN INCONSIS-
TENCY BETWEEN BRAZIL'S ACTIONS AND ITS OBLIGATIONS UNDER

THE GENERAL AGREEMENT.

(D) FOLLOWING NEW PARAGRAPH 5I SHOULD BE ADDED: THE U.S. IS INCREASINGLY CONCERNED ABOUT WHAT WE VIEW AS A LACK OF GATT JUSTIFICATION FOR THE NONTARIFF TRADE MEASURES RELATED TO BRAZIL'S SECTORAL DEVELOPMENT POLICIES, IN THIS CASE, AIRCRAFT. AT THE MAY 1978 MEETING OF THE U.S.-BRAZIL SUBGROUP ON TRADE A BRAZILIAN REPRESENTATIVE STATED THAT IN THREE SPECIFIC SECTORS--AIRCRAFT, COMPUTERS, AND STEEL

PRODUCTS--IMPORT LICENSES ARE DISCRETIONARY TO DISCIPLINE THE IMPORT MARKET, AND TO ENCOURAGE DOMESTIC INDUSTRIAL GROWTH ON A SECTOR-BY-SECTOR BASIS. IN ADDITION, THE BRAZILIAN REPRESENTATIVE STATED THAT NO GATT JUSTIFICATION FOR THESE ACTIVITIES WAS NEEDED. AT THAT MEETING AMBASSADOR WOLFF INFORMED THE GOB THAT QUANTITATIVE RESTRICTIONS (SUCH AS THE BRAZILIAN EMBARGO ON LIGHT AIRCRAFT) MUST BE JUSTIFIED UNDER THE GATT. ACCORDING TO OUR INFORMATION THE COTAC (COORDINATION COMMISSION FOR CIVIL AIR TRANSPORT) REFUSES TO ACCEPT APPLICATIONS FOR IMPORT LICENCES. IN 1976, CESSNA AIRCRAFT DELIVERED SEVEN PLANES TO BRAZIL, ALL OF THEM LICENSED IN 1974. SUCH RESTRICTIONS ON GENERAL AVIATION AIRCRAFT SEEM TO VIOLATE THE PROVISIONS OF ARTICLE XI ON QUANTITATIVE RESTRICTIONS. BRAZIL COULD ATTEMPT TO JUSTIFY SUCH RESTRICTIONS BY INVOKING ARTICLE XVIII:C BUT HAS NOT DONE SO. MOREOVER, THE LIMITED OFFICIAL USE

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U.S. BELIEVES, AS A GENERAL PRINCIPLE, THAT A COUNTRY SHOULD PERMIT A REASONABLE LEVEL OF IMPORTS IN A SECTOR EVEN WHEN PRODUCTION IS JUST BEGINNING IN THAT SECTOR. WE BELIEVE THAT IN THE FUTURE WE WILL ENCOUNTER MANY PROBLEMS SIMILAR TO THOSE FACING US ON AIRCRAFT. THE U.S. IS NOW CONSIDERING WHAT ALTERNATIVE STEPS MAY BE TAKEN TO DEAL WITH WHAT THE U.S. REGARDS AS AN INCONSISTENCY BETWEEN BRAZIL'S ACTIONS AND ITS OBLIGATIONS UNDER THE GENERAL AGREEMENT.

(E) FOLLOWING NEW PARAGRAPH 5 J SHOULD BE ADDED: PRIOR TO 1974 AND THE ESTABLISHMENT OF SEVERE IMPORT RESTRICTIONS, BRAZIL WAS THE UNITED STATES' SECOND LARGEST FOREIGN MARKET FOR FRESH PEARS. SINCE THAT TIME, U.S. EXPORTS TO BRAZIL HAVE FALLEN FROM OVER 8,000 MT (1974) TO 120 MT (1976). THE U.S. HAD SUGGESTED IN OCTOBER 1977 (77 STATE 241239) THAT AS A FIRST STEP TOWARD LIBERALIZATION A SEASONAL CONCESSION FOR APPLES AND PEARS COULD TAKE THE FORM OF A SUBSTANTIAL REDUCTION OF THE PRIOR DEPOSIT REQUIREMENT FOR A QUOTA FOR PEARS AND APPLES COMBINED OF 10,000 MT FOR SEPTEMBER THROUGH JANUARY. IT IS UNCLEAR IF THE BRAZILIAN OFFER RESPONDS TO THIS REQUEST. CHRISTOPHER

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